FINANCIAL NEWS

Cost stability helps ignite Denny's 3rd-quarter surge

LA MIRADA, Calif.—Denny's Inc., which operates or licenses a total of 1,888 Denny's coffee shops and Winchell's Donut Houses, reported an increase in net income of 41%, to $7.2 million, for the third quarter ended March 26, compared to the same period a year ago.

Revenues for the quarter rose 9.7%, to $231.4 million.

For the nine months ended March 26, net income rose 42.5%, to $26.4 million, on revenues that increased 12.6%, to $703 million.

Average unit sales at the 816 company-operated Denny's restaurants were $218,000 for the third quarter, an increase of 7.2% over the same period a year ago. About 4% of the increase was due to menu price hikes.

Year-to-date average Denny's sales were $674,000, up 10.2% over last year's comparable period. Menu price increases accounted for 4.5% of the higher sales, while 5.7% represented real growth.

The average Winchell's unit generated $45,600 in sales in the third quarter, an increase of 4.5% over last year's third quarter. Nine-month sales were $136,300, up 8.6% over last year's comparable period.

Vern O. Curtis, president and chief executive officer, was quoted as saying that profits advanced by a greater percentage than sales because cost pressures at Denny's have stabilized. Curtis cited stable food costs and the minimum wage, which did not increase over last year's rate. The Winchell's division's profit has improved as a result of the closing of some 120 poorly performing units 18 months ago, he said.

Winchell's sales were apparently also spurred by the introduction of a new line of brownies, cheesecake and coffee cake.

Curtis said the company started the third quarter strong, but in mid-January and throughout February, about 250 restaurants had to be closed for periods ranging from a few hours to several days due to severe winter weather.

For the future, the company reportedly intends to continue acquiring additional restaurants of other chains for conversion to Denny's.

Denny's recently acquired 12 restaurants from bankrupt Sambo's, and reportedly is close to purchasing an additional 10 units. In February, Denny's also agreed in principle to purchase 35 VIP's family restaurants in the Northwest, also for conversion to Denny's.

Skipper's net profit plummets 93% for 1st quarter

BELLEVUE, Wash.—Skipper's Inc., the operator and franchisor of 116 Skipper's Seafood 'n Chowder House restaurants, reported a 93% decline in net profit to $10,000 for the first quarter ended March 21.

Sales declined slightly to $7.5 million.

The president of the company, M. Eugene Stone, attributed the sharp drop in profits to "a brutal winter and high unemployment levels in the Western States." He also suggested that the quarter suffered from comparison with the record sales and profits of the first quarter of the previous year.

He pointed out that the costs of an everything-you-can-eat promotion and the upgrading of some menu items cut into the quarter's profits.

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two Weeks Ended April 24							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs. Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. Rate		Last X-Dvd Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)		Last Balance Sheet Date
Name	Symbol	High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt	Pct			Latest P/E Ratio	Amt	Yield		Revenue	Earnings		Long Term Debt	Common Stock Equity	
		$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Aca Los A Res	ALAR	5 13	4 50	4 75	.38	8.57	10.63	3.50	-.18	.00	1.94	-24.40	.47	-.21 Q	-50.0	6.0	4.3	22.6	.00	.0	01-06-81	27.7	1.2	2.4	5.7	3	1081
Am Motor Inns	AMN	18 75	17 13	17 13	-.50	-2.84	21.88	10.00	.34	-1.66	-5.30	5.77	1.66	.36 S	24.8	34.0	6.3	9.5	.22	1.3	01-26-82	142.3	8.9	1.5	15.6	11	0781
ARA Services	ARA	25 88	24 75	25 63	.00	.00	37.25	23.50	-.11	-.32	3.26	35.35	4.00	-1.35 Q	-26.2	-1.0	1.5	6.8	2.00	7.8	05-25-82	2915.9	45.1	1.2	21.0	44	0981
Assoc Hosts	AHST	6 50	6 25	6 50	.13	1.96	8.63	4.88	.27	.27	.58	4.46	.66	.11 Q	17.1	-8.0	2.6	8.7	.12	1.8	03-02-82	79.9	2.1	1.5	6.4	7	0981
Beefstk Char	BSCC	5 75	5 13	5 50	.00	.00	5.75	2.88	1.44	-.06	4.01	-.23	.62	.16 Q	32.6	32.0	2.4	8.5	.00	.0	00-00-00	86.2	2.1	1.2	1.2	3	1081
Bob Evans Farms	BOBE	27 00	25 75	27 00	1.25	4.85	27.00	17.75	.28	-.49	.53	-29.24	1.40	.19 N	13.5	26.0	8.0	17.0	.40	1.5	02-05-82	147.0	11.8	1.9	.0	6	0481
Bonanza Intl Inc	BNZA	1 63	1 50	1 56	-.06	-3.85	6.88	1.06	.61	-1.10	1.33	-19.65	-3.33	-3.57 F	-487.5	-54.0	-61.8	NE	.00	.0	00-00-00	25.9	1.1	1.6	12.9	5	1280
Brock Hotel Cp	BHC	15 50	14 63	14 88	-.38	-2.46	16.88	9.88	.51	-.32	-.18	40.99	.59	.15 F	34.0	30.0	4.3	25.2	.10	.7	03-08-82	165.1	7.1	1.2	11.0	4	1281
Cainy Food	CLNY	8 25	8 00	8 25	.25	3.13	10.34	7.16	.09	.50	-.26	-53.51	.90	-.19 N	-16.6	7.0	2.2	8.7	.12	1.5	03-02-82	41.7	.9	4	9.6	4	0281
Carrols Develop	CRL	5 63	5 00	5 63	.25	4.65	7.63	3.97	.11	2.47	1.17	66.95	.86	.72 N	163.6	35.0	2.4	4.8	.09	1.6	12-24-81	75.6	1.8	.7	10.1	5	0581
Chart House	CHHO	22 13	20 75	22 13	.50	2.31	22.88	15.25	.47	.69	1.03	-20.66	2.03	.27 Q	15.2	14.0	5.0	10.8	.60	2.7	12-24-81	312.5	15.2	1.1	12.3	9	1280
Chi-Chis	CHIC	23 63	22 38	23 38	.00	.00	27.25	15 13	.56	-1.13	-.74	24.71	.46	.33 N	94.2	35.0	14.1	34.4	.00	.0	06-02-81	14.9	2.1	3.1	1.7	2	0481
Ch Full O Nut	CHF	14 13	11 38	13 75	1.75	14.58	14.13	8.38	1.07	.32	7.41	-31.78	.66	-.36 S	-42.8	24.0	2.7	28.6	.40	2.9	12-14-81	118.7	3.2	3.4	.8	5	0781
Churchs Fr Ch	CHU	33 25	30 38	33 25	2.25	7.26	37.38	25.00	.50	.28	3.57	12.15	3.52	.34 Q	10.8	18.0	10.8	9.6	1.00	3.0	04-26-82	412.1	44.6	1.9	1.0	15	1281
Cindys Inc	CNDYC	3 13	2 88	3 13	.13	4.17	3.63	2.50	-.59	-.32	-.11	-9.77	-1.43	-1.09 F	NE	NE	-17.3	NE	.00	.0	00-00-00	16.8	-2.9	.0	6.2	0	1280
Collins Foods	CF	15 50	13 75	15 00	1.13	8.11	15.50	10.31	.61	-.76	6.78	-48.10	1.56	.63 N	41.4	13.0	2.8	7.0	.24	1.6	03-25-82	265.2	7.5	1.4	10.6	13	0481
Consul Corp	CNSL	7 25	7 00	7 13	-.13	-1.72	10.13	5.25	1.09	-.94	1.82	-11.76	-.08	.12 S	NC	NE	-1.5	59.4	.00	.0	00-00-00	6.8	-.1	.8	.6	1	0581
Cracker Barrel	CBRL	9 25	8 75	9 00	.25	2.86	10.00	7.25	.02	-1.28	5.09	-8.80	1.00	1.01 S	NC	21.0	3.2	8.9	.00	.0	00-00-00	28.5	.9	1.0	5.4	3	0781
Dennys Inc	DEN	25 25	22 75	24 50	1.00	4.26	25.25	14 75	.36	.62	1.74	8.58	1.97	.77 N	49.6	6.0	3.2	10.6	.64	2.6	04-02-82	840.7	26.9	1.5	16.0	13	0681
Dunkin Donuts	DUNK	16 25	15 75	16 25	.00	.00	18.25	11.13	.78	.34	.30	18.56	1.82	.28 Q	17.3	19.0	8.3	8.6	.30	1.8	02-05-82	68.7	5.7	1.3	11.4	11	1081
Frischs	FRS	10 38	8 50	10 13	1.13	12.50	10.38	5.78	.54	.60	4.49	35.11	1.39	.76 S	63.0	14.0	3.0	5.6	.30	3.0	03-30-82	97.0	2.9	1.2	7.2	13	0581
Hambrg Hamlet	HAMB	5 00	5 00	5 00	-.50	-9.09	8.75	5.00	-.88	-.54	2.34	.00	.27	-.15 S	-19.7	-24.0	.7	8.2	.00	.0	00-00-00	28.4	.2	.9	20.9	12	0381
Hardwicke	HAWK	2 88	2 88	2 88	-.13	-4.17	7.25	2.25	.06	-.59	-1.85	.00	-2.22	-2.66 F	-604.5	-38.0	-11.4	NE	.00	.0	00-00-00	30.6	-3.5	1.4	18.4	8	0981
Hilton Hotels	HLT	39 38	35 50	37 63	-1.63	-4.14	52 25	32 00	.16	-.03	.02	11.26	4.22	-.04 Q	-.9	25.0	18.4	9.5	1.80	4.8	03-01-82	523.1	106.1	2.2	4.6	17	1280
Holiday Inns	HIA	28 25	25 63	26 25	-1.88	-6.67	33 25	21 88	.00	-.99	-3.01	34.30	3.66	.74 F	25.3	27.0	7.8	7.2	.80	3.0	03-15-82	1533.8	108.3	1.0	17.6	22	1280
Holiday Inns A	HIA A	42 50	39 25	39 25	.25	.64	48.75	33.00	-.33	-2.11	-6.82	-50.00	NA	NA	NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	17 38	15 63	17 25	1.75	11.29	17 38	7.28	1.61	.46	2.79	3.67	.87	.09 N	10.0	42.0	3.1	17.4	.00	.0	01-11-82	128.2	4.0	1.8	15.4	6	1280
Hungry Tiger	HTIG	7 25	7 25	7 25	.00	.00	9 38	6 00	.56	-.51	2.56	2.11	.92	.14 S	16.6	42.0	3.2	7.4	.00	.0	08-24-81	49.9	1.6	.8	5.8	4	0881
Imperial Grp	IMT	1 75	1 56	1 63	-.13	-7.14	1.75	1.06	-.19	-.61	-6.41	22.37	.62	-.15 S	-21.1	28.0	2.1	2.9	.14	8.6	02-24-82	8700.9	178.4	.9	.8	3	1080
Intl Dairy Queen	INDQ	11 50	11 00	11 50	.50	4.55	13 25	9 25	.04	.21	2.23	-.42	1.72	.23 Q	15.7	38.0	6.1	6.8	.00	.0	00-00-00	91.3	5.6	1.1	9.7	6	1181
Int King Tab	IKNG	3 00	2 38	3 00	.63	26.32	3 38	1.75	1.17	3.60	8.11	-9.01	-.65	.19 S	NE	-43.0	-3.1	NE	.00	.0	10-09-79	32.0	-1.0	.3	5.4	3	0681
JBs Rest	JBBB	6 50	6 00	6 25	.38	6.38	6.50	2.88	1.50	-1.33	6.31	-44.74	.63	.31 S	75.6	-1.0	3.0	8.7	.16	2.6	05-10-82	36.4	1.1	.9	5.2	5	0981
Jerrico Inc	JERR	21 00	20 38	21 00	.00	.00	27 63	15 63	.29	-.48	.61	-50.32	1.70	.39 S	26.5	23.0	5.6	11.3	.12	.6	02-01-82	378.2	21.0	1.1	3.7	10	0681
Kapok Tr Inns	KTI	3 75	3 63	3 63	.00	.00	4 38	3 38	-.36	-1.65	-4.27	41.67	-.24	-.45 Q	-321.4	-32.0	-2.9	NE	.00	.0	00-00-00	13.8	-.4	3.1	1.9	6	0981
Kelly Johnston	KEJO	17 50	16 00	17 50	.75	4.48	17 50	10 75	.39	-.50	.11	-17.40	.58	.77 N	NC	132.0	5.9	22.7	.00	.0	00-00-00	11.9	.7	.4	.8	1	0381
Lubys Cafe	LUB	28 88	26 63	28 88	2.00	7.44	28 88	23 19	.02	-.27	4.81	-9.35	1.45	.25 S	18.9	23.0	9.1	18.4	.48	1.7	03-09-82	108.2	9.8	1.1	.9	6	0881
Marcus Corp	MRCS	5 50	5 38	5 38	-.13	-2.27	7.28	5.00	-.48	-.56	5.55	40.00	1.15	.04 N	3.5	7.0	5.8	4.6	.00	.0	08-24-81	105.3	6.1	.8	2.9	9	0581
Marriott Corp	MHS	39 88	37 75	38 13	-.88	-2.24	47 00	31 63	.25	-1.42	3.25	-44.57	3.20	.55 Q	20.0	31.0	4.3	11.6	.30	.8	03-22-82	1718.7	72.0	.9	22.4	12	1280
McDonalds Cp	MCD	70 00	67 63	68 13	-1.75	-2.50	72 88	56 75	.13	-.49	-2.82	-4.93	6.54	1.05 F	19.1	19.0	10.5	10.4	1.00	1.5	02-05-82	2184.3	220.9	.7	24.2	28	1280
Morrison Inc	MORR	11 75	10 13	11 75	1.50	14.63	12 88	8 13	.76	1.15	3.53	-12.18	.95	.15 N	16.6	7.0	3.9	11.2	.36	3.1	04-12-82	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	2 75	2 38	2 75	.25	10.00	4 13	2 13	-.30	1.89	4.84	-29.30	.22	.10 Q	76.9	-26.0	.5	12.0	.02	.7	05-29-80	55.7	.3	1.4	3.4	5	0981
Nathans Famous	NATH	1 00	1 00	1 00	.00	.00	1 88	.63	-.28	-.67	-.86	11.54	-.87	-.42 N	NE	NE	-7.9	NE	.00	.0	00-00-00	21.5	-1.7	.4	.2	2	0381
Oakbrook Cons	OKCO	9 00	9 00	9 00	.00	.00	12 25	9 00	-.38	-.45	4.92	41.18	1.74	.04 Q	2.5	13.0	1.3	5.6	.32	3.6	12-10-81	133.4	1.7	.8	5.6	13	0981
Orange-co	OJ	9 00	8 13	9 00	.38	4.35	11 38	6 88	-.25	1.26	-2.49	57.56	1.01	.12 S	13.4	25.0	5.4	8.9	.20	2.2	02-22-82	76.2	4.1	1.9	10.2	7	0881
Piccadilly Caf	PICC	17 75	16 75	17 75	.88	5.19	19 00	13 50	.66	-.08	6.16	21.48	1.30	.14 N	10.7	15.0	6.1	12.3	.48	2.7	03-09-82	127.2	7.8	1.7	.0	6	0681
Pizza Inn	PZA	6 38	5 25	6 00	.63	11.63	11 50	4 75	.20	2.87	.38	26.70	.50	-.08 F	-13.7	-5.0	1.0	12.0	.00	.0	00-00-00	120.7	1.7	1.1	14.0	6	1280
Pizza Time Thea	CHKY	27 50	26 00	27 50	1.50	5.77	28 25	18 00	.46	.72	1.35	13.92	.58	.54 F	350.0	81.0	7.2	47.4	.00	.0	00-00-00	11.4	.1	1.3	.4	1	1280
Ponderosa Sys	PON	16 00	14 13	15 00	-1.00	-6.25	19 75	11 75	.53	-.02	1.38	-26.75	2.01	1.42 F	240.6	.8.0	2.4	7.5	.40	2.7	03-08-82	329.6	2.6	.8	22.3	15	0281
Ramada Inns	RAM	5 75	5 38	5 50	-.25	-4.35	12 50	5 00	-.30	-.97	-1.73	-62.42	-.84	-1.43 F	-242.3	-25.0	-5.5	NE	.12	2.2	10-19-81	366.1	15.1	.8	14.4	6	1280
Restaur Assc	RA	5 13	4 50	5 13	.63	13.89	8 25	4 00	.12	2.32	-.24	53.28	.97	.33 F	51.5	29.0	2.4	5.3	.00	.0	00-00-00	95.8	1.5	1.3	3.9	5	1280
Saga Corp	SGA	26 75	25 00	26 50	.38	1.44	26 75	16 00	.71	.73	.92	-9.30	2.36	1.07 N	49.7	18.0	1.4	8.2	.56	2.1	02-11-82	819.0	11.6	.9	9.3	15	0681
Sea Galley	SEAG	9 63	9 25	9 50	-.13	-1.30	17 88	6 88	.31	-.21	.61	-4.60	.68	.08 Q	13.5	55.0	4.5	14.2	.00	.0	06-02-81	22.9	1.3	1.6	2.3	2	1280
Servico Inc	SRVI	10 00	9 25	9 50	.25	2.70	13 00	7 00	.24	-.50	-.86	-37.50	1.69	.59 F	53.6	21.0	3.5	5.6	.00	.0	00-00-00	114.4	2.9	1.0	50.1	4	1280
Shoneys Inc	SHON	16 63	15 75	16 63	.75	4.72	16 63	11 91	.25	.50	1.70	13.04	1.03	.24 Q	27.2	21.0	5.5	14.8	.16	1.0	03-29-82	269.4	14.8	1.0	2.0	5	1081
Sonesta Hotel	SNSTZ	10 50	10 50	10 50	.00	.00	15 00	9 25	.01	-.48	-2.82	.00	.94	-1.30 F	-58.0	64.0	1.4	11.2	.20	1.9	12-28-81	137.2	5.0	1.0	19.1	9	1280
Steak n Shake	STAK	2 75	2 75	2 75	.00	.00	3 13	2 31	-.26	-.37	-4.80	22.58	.06	-.11 Q	-73.3	-36.0	.5	68.8	.00	.0	05-17-79	56.5	.3	1.2	4.6	3	0981
Valles Steak	VLE	5 25	5 00	5 13	-.25	-4.65	7 13	4 25	.14	-.52	.08	12.50	-.22	.18 S	NE	-23.0	-.9	128.1	.00	.0	11-01-78	65.6	-.6	1.3	7.8	10	0381
Victoria Stations	VSTA	10 50	10 00	10 00	-.88	-8.05	11 25	6 25	-.23	-.87	-2.73	-13.34	-1.85	2.11 N	NE	-32.0	-4.3	83.3	.00	.0	09-19-79	134.5	-5.8	1.0	9.0	10	0381
Volunteer Cap	VLCC	9 75	8 75	9 75	.63	6.85	9 75	6 38	.54	2.49	.80	27.91	.67	.72 Q	200.0	4.0	2.1	12.5	.00	.0	00-00-00	72.7	1.5	.3	13.4	7	1281
Wendys Intl	WEN	18 75	15 38	17 88	2.00	12.60	19 25	12 25	.41	2.96	4.39	8.93	1.52	.18 F	13.4	29.0	7.5	11.8	.28	1.6	02-22-82	347.0	30.1	.5	1.9	6	1280
Webb Del E	WBB	8 13	7 00	7 75	-.38	-4.62	13 00	4 88	.70	-.22	-3.30	-12.33	.56	.14 F	33.3	-13.0	1.1	13.8	.00	.0	11-07-80	486.0	-4.6	1.6	21.8	13	1280

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
** Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

FINANCIAL NEWS

Saga earnings climb 22% for third fiscal quarter

MENLO PARK, Calif.—Saga Corp., the restaurant and food-service company, reported that profits increased 22% during the third fiscal quarter that ended March 29, to $3.9 million from $3.2 million during the same quarter in fiscal 1981.

Revenues for the third quarter were up 8%, to $229.5 million from $212.3 million a year ago.

For nine months profits increased 48% to $13.9 million and revenues increased 10% to $673.9 million. For the comparable period of fiscal 1981 profits were $9.4 million and revenues were $611.2 million.

Reasons given by the company for the increase in net income were: moderate food-cost increases, closer management controls and tight asset management.

Beefsteak Charlie's net up 68%

NEW YORK—Beefsteak Charlie's Inc., operator of 65 steakhouses along the Eastern Seaboard, said its net income, excluding an extraordinary item, rose 68%, to $521,000 for the 12 weeks ended Jan. 23 over last year's comparable period.

Including the $395,000 extraordinary item—a tax benefit of operating loss carryforward—net income was $916,000.

Total revenues for the period increased 51%, to $21.2 million.

The company's restaurants include 63 Beefsteak Charlie's, of which three are franchises, and two other concepts.

Marriott profits up 17.4% for 1st qtr.

WASHINGTON—Marriott Corp., the hotel and restaurant company based here, said net income rose 17.4% to $16.9 million for the first quarter ended March 31, over the prior year's comparable period.

Revenues increased 25%, to $516.2 million.

Taco Viva sales, profits increase

POMPANO BEACH, Fla.—Taco Viva, a privately owned 34-unit chain of restaurants, reported sales of $3.1 million, a rise of 4%, and profits of $195,000, a 68% increase, for the third quarter ended Feb. 28 compared to the year-ago period.

Nine Months Period

For the three-quarter, nine-month period, the firm reported sales of $9.3 million, an increase of 28%, and profits of $400,000, an increase of 75%, compared to the year-ago period.

Sandwich Chef: 18% profit hike

BIRMINGHAM, Ala.—Sandwich Chef reported profits of $181,000 for the third quarter ended March 27, an 18% increase over the previous year. Sales were $4.3 million, a 24% increase over the previous year's period.

For the first nine months, profits were $530,000, up 17% over the previous year, and revenues were $12.2 million, up 23% over the year-ago period.

The company had 164 sandwich shops in six Sunbelt cities, compared to 139 a year before. A planned entry into Chicago has been postponed to August due to softness in the Chicago market, a spokesman said.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Bonanza Int'l	1 yr.	12/27			$ 24.082	– 7	$(14.857)	—
Chart House	3 mos.	3/31			84.835	6	2.399	6
Church's Fried Chicken	3 mos.	3/21			87.311	– 2	7.857	– 6
Denny's	9 mos. 3 mos.	3/26 3/26	$700.000 230.000	12 9			26.200 7.000	41 37
Frisch's Restaurants	40 wks. 12 wks.	3/7 3/7			81.100 22.700	4 2	2.800 0.568	55 40
Hilton Hotels Corp.	3 mos.	3/31			155.341	6	21.991	– 19
Marriott Corp.	3 mos.	3/26	516.209	25			16.942	18
People's Restaurants	9 mos. 3 mos.	3/28 3/28	11.500 5.100	448 325			0.587 0.222	8,286 909
Piccadilly Cafeterias	9 mos. 3 mos.	3/31 3/31	105.600 33.800	12 13			6.952 1.900	13 12
Ponderosa	1 yr. 3 mos.	2/25 2/25	360.500 101.700	8 0			8.500 1.300	240 **
Saga Corp.	9 mos. 3 mos.	3/27 3/27			673.878 229.530	10 8	13.868 3.873	48 22
Sandwich Chef	9 mos. 3 mos.	3/28 3/28	12.191 4.288	23 24			0.530 0.181	17 17
Sea Galley Stores Inc.	3 mos.	3/31	16.021	106			0.555	20
Skipper's	12 wks.	3/21			7.547	– 1	0.010	– 1
Volunteer Capital	3 mos.	3/31	18.779	17			0.250	826

Source: *Company earnings reports*

—loss in corresponding period
**In millions*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

Hilton profits decline; recession blamed

LOS ANGELES—The Hilton Hotels Corp. said its first quarter net income declined 18.5%, to $21.9 million, from last year's first quarter.

Revenues for the quarter, ended March 21, increased 6%, to $155.3 million.

Recession

The Los Angeles-based company cited severe winter weather and the recession for the dip in first quarter profits.

States leaning toward strict equal employment

NRN Special Report

Although controversial Federal employment discrimination guidelines dealing with workplace sexual harassment and national origin bias are under reconsideration by the Reagan Administration, the trend is toward even stricter equal employment rules for restaurant operators on the state level.

In fact a recent *Nation's Restaurant News* analysis of state legislative activity affecting the food-service industry uncovered scores of new proposals aimed at increasing the power of local officials to regulate employment practices.

Legislation dealing with sexual equality in the workplace continues to be one of the most hotly debated equal employment areas on the state level. Minnesota's Governor, for example, recently signed a series of new bills aimed at protecting women from workplace discrimination, including one declaring "sexual harassment" to be an unfair employment practice. A separate, and potentially more far-reaching measure passed by the Legislature this session establishes a "comparable worth" principle requiring Minnesota employers to provide equitable pay for workers in occupations traditionally dominated by women.

In Wisconsin, meanwhile, the Governor has signed legislation attacking sexual discrimination from a different angle. Under this new "gay rights" law, restaurateurs and other employers in the state will be prohibited from discriminating on the basis of an individual's "sexual orientation."

A number of other states from New Jersey to California are considering new proposals to stiffen the penalties for violations of local equal employment rules, while others, including Maryland, debated new measures to protect workers from discrimination on the basis of age.

Significantly, much of the state equal employment legislation surfacing this session deals with employee fringe benefits.

Connecticut's Senate, for example, is considering a bill to prohibit businesses from cutting back on health insurance coverage for older workers who become eligible for Medicare benefits.

Maryland's Senate, meanwhile, passed legislation requiring employers to offer pregnancy benefits as part of any company sick leave plan, and Kentucky's House approved a measure under which employers who offer maternity leave must extend similar benefits to workers who temporarily leave their jobs to accept adopted children.

At the same time, Rhode Island lawmakers considered proposals prohibiting employers from asking job applicants if they had ever been arrested or charged with a crime, while legislation under review by Georgia's Senate would require all employer accident and sickness insurance plans to cover treatment for mental disorders.

Here's a recap of other state legislative activity affecting the restaurant industry:

- ARIZONA—Legislation that would allow cities to establish enterprise zones is pending in the House.
- COLORADO—The Governor has signed a bill prohibiting the sale of metal beverage containers with detachable openings.

Phosphate use to increase

WASHINGTON—A new Department of Agriculture meat and poultry regulation would allow food processors to use a wider variety of phosphates in their products—a change designed to improve the palatability of meats sold to restaurants.

The expanded use of phosphates by meat and poultry processors would "help prevent flavor loss and keep juices in during cooking," according to U.S.D.A. officials.

In addition, the new regulation would attempt to cut down on sodium levels in certain meats by allowing processors to add phosphates directly to cooked sausages. The Food and Drug Administration already recognizes the safety of these additives which include certain sodium and potassium phosphates, U.S.D.A.'s Food Safety and Inspection Service Administrator Donald L. Houston maintained.

- CONNECTICUT—Pending legislation would put a 7.5% sales tax on the gross receipts from coin operated video games and pinball machines.
- FLORIDA—The House has passed two measures to raise the state's sales tax, including one which would boost the rate to 5%, and another offering local governments the option of imposing their own ½% tax. The House also passed a separate bill that would include meals and lodging in the definition of "wages."
- GEORGIA—Legislation offering restaurants and other employers special state tax credits for remodeling their establishments to accommodate handicapped workers has cleared the Senate. A different House proposal would repeal the prohibition against smoking in public places.
- IDAHO—New Senate-passed legislation would allow for the creation of a state industrial revenue bond program.
- INDIANA—The Governor has signed a bill that requires sales tax collection to be paid 20 days after the end of the month.
- IOWA—Food-service establishments would be required to identify the type of imported meat they serve under a House proposal.
- KANSAS—Both Houses of the Legislature are considering plans to offer special state tax credits and other incentives for businesses opening locations in designated "enterprise zones."
- KENTUCKY—Legislation requiring restaurants to display posters which explain how to save the lives of choking patrons has passed the House. A bill that would increase the minimum hourly wage to $2.60 has also cleared the House.
- MARYLAND—The Senate has approved a bill prohibiting forced retirement of workers aged 40 to 70.
- MASSACHUSETTS—Pending legislation in the House would repeal the state's beverage container deposit law.
- MICHIGAN—The Governor has signed a bill prohibiting employers from requiring employees and job applicants to take polygraph tests. A separate piece of legislation that would not allow employers to require that their employees work overtime has passed the House.
- NEW YORK—All cash registers in Empire State retail stores would be required to visually display the amount of the transaction to consumers under a pending Senate bill. A separate bill now before the Senate would set stiff new requirements for sales promotions, games and contests offering prizes to consumers.
- OHIO—A proposal to create a state commission and office especially designed to assist small business enterprises is being considered in the House.
- VIRGINIA—Legislation that would have required beer and soft drink containers to be refundable failed in the Senate.
- WASHINGTON—The Senate is studying a proposal that would reimpose a 2.75% state sales tax on food.

Higher prices expected due to West Coast rain

SALINAS, Calif.—Operators can expect higher prices on several central California fruits and vegetables as a result of heavy rains which hit this produce area hard in early April. Over 2,500 acres of strawberries were damaged, and both artichoke and asparagus crops were affected by the unseasonable storms.

Almost twice the normal amount of rain fell since the beginning of the year, holding back both planting and harvesting. By this time, nearly 50% of California's processing tomato crop is usually planted. That crop is only 20% planted this year because of the rain.

Asparagus harvesting slowed by 85% for over a week, and unusually low temperatures slowed growth, but long-range concern centers on root damage as rushing rains washed dirt away from the plants in many fields. Artichokes were affected by the same type of erosion.

Strawberries were the hardest hit, a combination of blossoms knocked from vines, which will reduce late spring and summer harvests, the possibility of misshapen fruit and root rot from the continuous moisture in the soil.

Pears and grapes in several areas were damaged by hail. Canners are revising estimates of quality yields for pears which will be processed. Many early table grapes may be diverted to wineries because of appearance. Grapes for raisins are not expected to be affected greatly.

Lettuce, broccoli and cauliflower harvests were not affected other than a slowdown in production caused by muddy fields. Carrots and celery sustained minor damage, but planting for summer crops was delayed.

Food and beverage sales per occupied U.S. room climb 9.1% in 1981

PHILADELPHIA—Food and beverage sales per occupied room in domestic lodging properties increased 9.1% during 1981 as total food sales rose 6.3%, according to *National Trends of Business—Lodging Industry*, a publication of Laventhol & Horwath, public accountants.

As of December, year-to-date food and beverage sales per occupied room in all hotels and motels tracked by the accounting firm were $26.93, compared to $24.69 the previous year. Average receipt per cover for 1981 was $7.72, compared to $7.02 in 1980. Food costs per dollar of sales dropped 1¢ to 34¢ and beverage costs per dollar were the same as in 1980—22¢.

Hotels and motels with chain affiliation reported food and beverage sales per occupied room at $24.68, compared to $22.87 the previous year. Average receipt per cover was $7.60, compared to $6.92 in 1980. Food costs per dollar of sales were 34¢ and beverage costs per dollar of sales were 21¢.

At independent hotels and motels, food and beverage sales per occupied room were $37.90 in 1981, up from $33.60 the previous year. Average receipt per cover was $8.03, compared with $7.30 in 1980. Food cost per dollar of sales in independent properties was 35¢, down a penny from 1980, and beverage cost per dollar of sales remained the same, 23¢.

Food and beverage sales per occupied room in all hotels averaged $31.47 in 1981, compared to $20.90 in all motor hotels. Average receipts per cover were $8.63 in hotels and $5.90 in motor hotels. Food costs per dollar of sales were 33¢ in hotels and 37¢ in motor hotels, and beverage costs per dollar of sales were 21¢ in hotels and 23¢ in motor hotels.

Lodging properties in the Northeast had the highest average receipt per cover in 1981—$9.16 compared to $8.08 the previous year, and the Southeast the lowest average receipt per cover—$6.75 compared to $6.24 in 1980.

Hotels with more than 600 rooms reported the highest average receipt per cover—$9.81, up from $8.75 in 1980. These large luxury properties also had the highest food and beverage sales per occupied room—$33.64—and the lowest food cost per dollar of sales—30¢.

Food and beverage prices have already started to moderate and will probably increase less in 1982 than they have in several years, according to the Laventhol and Horwath report.

FOOD AND BEVERAGE SALES PER OCCUPIED ROOM IN DOMESTIC LODGING PROPERTIES

Source: Laventhol & Horwath

Church's sues over franchise sale to KFC

HOUSTON—The sale of about 75 Church's Fried Chicken stores by a franchisee to Kentucky Fried Chicken has sparked a legal tug-of-war over the Houston-Galveston territory.

Church's, the San Antonio-based franchisor, contends the sale nixed the franchise agreement and that the franchisee is no longer a franchisee.

The franchisee, Church's Chicken of Houston, maintains it still has exclusive rights to the territory.

Church's Chicken of Houston is a subsidiary of Jim Dandy Fast Foods of Santa Monica, Calif. Jim Dandy was purchased by Ross Peterson, Jim Dandy chairman, from Host International as Host was being acquired by Marriott.

Supply show set in Los Angeles

LOS ANGELES—The Interstate Restaurant Supply Company will hold its 4th Trade Show on May 1-3 at the Los Angeles Convention Center.

The theme for the show is "Interstate '82 Highway to Profit."

For additional information, contact Reinhard Schnepp, show coordinator, Interstate Restaurant Supply Company, P.O. Box 11366, Washington Station, Los Angeles, Calif. 90011, or call 213-232-4141.

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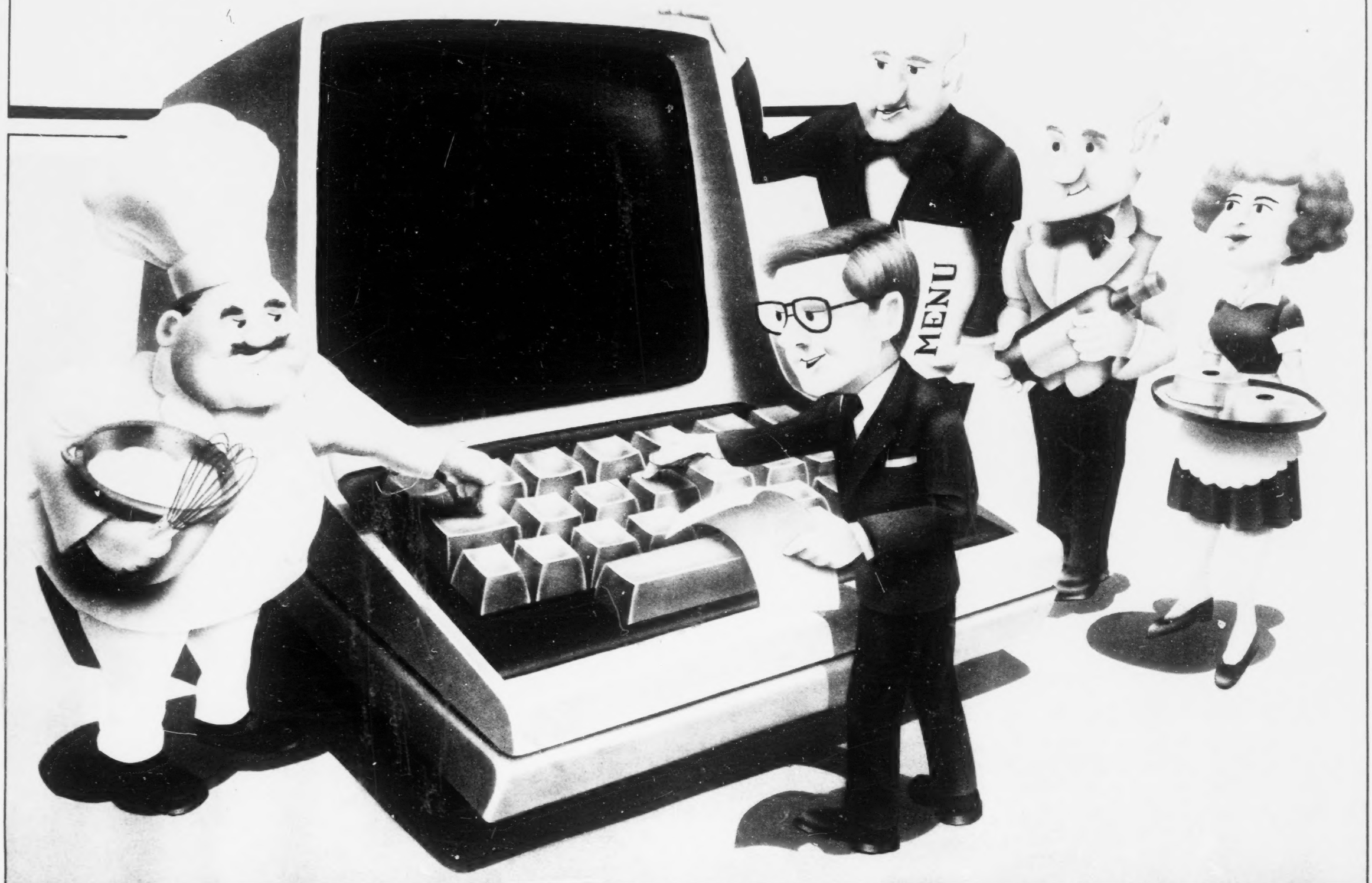


CONTROL SYSTEMS

A COMPUTER REVOLUTION

By Joe Edwards

It has been a long time coming, but the technological revolution which has dramatically changed the way American retailers do business has hit the food-service industry with full force.

Computers and other electronic control systems have been used in a limited way for years, especially by fast feeders and contract feeders, but only recently have they been embraced by operators in every segment of the industry.

Food-service operators on many levels resisted computers for years, fearing what they perceived as a depersonalization of service. Only in the last few years have those fears been subsiding; hardware manufacturers have given a priority to developing systems for food-service operations.

Debate among operators today is centered on what types of hardware to buy and what kinds of software programs are needed rather than whether an operation should be plugged in at all. Many major chains and a growing number of independents have computer-based point-of-sale terminals or electronic cash registers at the unit level. They are expanding the functions of their systems to receive all sorts of management information.

Computers and electronic devices also are being used to control and manage heating, ventilating and air conditioning systems, provide security, mix drinks, and tell grill workers when to flip the hamburgers.

Many food-service companies are using computers at corporate headquarters to keep track of unit operations, perform data-processing services and help control overall operations. Companies such as McDonald's, Howard Johnson, Ponderosa and others employ systems analysts and programmers to develop new applications for management information systems.

In the lodging industry, the new technology is appearing throughout hotels to control energy use, provide better security and safety, make reservations systems faster and more efficient, and control food and beverage operations.

Hardware manufacturers report that computers for food service is one of the fastest growing segments of their industry. One large supplier shipped more than 8,000 systems to restaurants last year.

Even operators who have not invested in their own computers are benefitting from the technological advances of the last few years. They are renting computer time to receive detailed management control information reports based on data collected by their own electronic cash registers. Several companies develop custom-made programs for individual restaurant operations.

There are, of course, holdouts among food-service operators who are computer-shy and still insist that computers have no place in such a highly personal business.

Those who are pleased with the performance of computers in their establishments maintain that with the proper research just about any operator can find a system to suit his or her needs.

Jack Levine, chairman of American Hospitality Management Co., New York, operator of several tablecloth restaurants, advises operators to do their homework and know exactly what they want from a computer before making an investment.

"By far the most critical decision here has to do with the role of the computer in the management of your business," Levine wrote in his book "Counting on Computers."

Manufacturers have reported that a typical restaurant system costing $30,000 and including several point-of-sale terminals, a computer and printers can reduce liquor costs 1%, food costs 2%, save 20%-25% in floor service time, and slash 45% from bookkeeping time.

Interviews with operators bear out these claims. One operator of a Florida tablecloth restaurant said a $30,000 system he installed paid for itself in a couple of months and is saving him thousands of dollars a year in labor costs even though he is not using it to its fullest advantage.

There are three basic types of electronic cash registers used in food service. The basic machine accumulates sales data and prints error-free, easy-to-read checks for customers.

In-line systems are generally used in larger restaurants and food-service facilities. A number of "slave" terminals are hooked up by cables to a single "master" unit which collects all data from the slaves as well as sending programming information.

On-line systems are used in multi-unit operations. Electronic cash

(Continued on page 66)

Debate among operators today is centered on what types of hardware to buy and what kinds of software programs are needed rather than whether an operation should be plugged in at all

NRN FOCUS

CONTROL SYSTEMS

COMPETITIVE ANALYSIS—SELECTED CHAINS

Company	MIS application areas POS	DDP	DBMS	OFFICE	SA/PGM	Type computer	MIS $	% Revenue	Comments
Bob's Big Boy	No	No	No	No	5	Sys 34	$100,000		MIS plays minor role in company
Burger Chef	Yes	No	IMS	No		370/138 4331		0.54%	
Church's	Yes	Yes	S2000	No		4341 Sys 34		0.45%	
Commonwealth Holiday Inns	Yes	No	No	Yes		370 115		0.75%	
Denny's	Yes	No	IMS	Yes		3031 370/148		0.45%	Major development effort under way
Dunkin Donuts	Yes	No	No	Yes		Wang 2000		1.00%	
Greyhound Food Mgt.	No	No	No	No		3033		0.5%	
Hardee's Food Systems	Yes	Yes	No	No		3031		0.26%	
Howard Johnsons	Yes/5 yrs	Yes/11	Total	No	35 to 60	370/158 4341 11-GA Series 1	$3.5 mil		Going to major implementation of POS over next 5 years
IHOP	No	No	No	No	6	Univ90/30	$600,000		
Jerrico	Yes	Yes	Yes	Yes		370		0.40%	
KFC	Yes	Yes	No	Yes		3031			
Krystal	No	No	No	No		370/138		0.58%	
Mannings	No	Yes	No	No		4331		0.70%	
McDonald's	Yes	Yes	Yes	Yes	40	370			
Pizza Hut	Yes	Yes	Yes	Yes		370/168			
Ponderosa	Yes	Yes	IMS	Yes	19	370/3031	$2.7 mil		Expanding role
Poppin' Fresh Pies	Yes	No	No	No		H6C90		1.80%	
Shoney	Yes	Yes	No	Yes	4	NCR	$450,000		

Source: *Positive Support Preview Inc.*

LEGEND: MIS Application areas—areas of focus of the MIS organization. POS—Point of Sale. DDP—Distributed Data Processing. DBMS—Data Base Management Systems. OFFICE—Office of the future and personal computers.
SA/PGM —Number of systems analysts and programmers doing development work for new MIS applications.
Type computer —Type of Computer.
MIS $ —MIS budget in absolute dollars.
% Revenue —MIS budget as a percentage of total revenue.

This chart was prepared for *Nation's Restaurant News* by M. Victor Janulaitis, president of Positive Support Review Inc. of Malibu, Calif. Janulaitis manages and participates in management consulting engagements relating to critical success factor analysis and definition, strategic planning, operational reviews and audits, positive support reviews, MIS (management information systems) planning, and the design, development and implementation of management information systems and educational programs for senior management.

The food-service industry embraces computers

(Continued from page 63)

registers are connected to a master computer at the central office over telephone lines. Control data is collected in the master unit for quick and simple readouts. The master can transmit information to the slaves. Information collected by these systems is available to unit-level managers and central office staff.

Point-of-sale terminals and electronic cash registers can perform numerous tasks, depending on the complexity of the system and how it is programmed. Among the functions are issuing daily financial reports, number of menu items sold, inventory levels, inventory dollar values, recipe costs, labor timekeeping, and labor costs per hour.

Back-of-the-house systems perform a number of financial accounting functions including payroll, purchasing, accounts payable, sales accounting, accounts receivable, general ledger, and weekly and monthly profit and loss statements.

Such computer systems also can provide recipe costing, menu sales analysis, menu and food item explosion, food inventory, beverage inventory, and quality control. Some can also be programmed to provide planning, projections, budget preparation, cash flow forecasts, and variance analysis.

Service employees can be trained to use point-of-sale terminals and electronic cash registers in a few hours, according to many operators.

In addition to speeding service, cutting food and labor costs and making kitchen work easier and quicker, these systems also eliminate error on the part of service personnel. Waiters and waitresses punch orders into the terminals by striking keys marked with specific menu items or entering a two- or three-digit code number for menu items and drinks.

The machines are programmed with price information and print and tally checks, figuring in sales tax and the amount of change a customer receives; they can also figure in discounts. They cut down on undercharges which by one estimate gobbled up about 3% of total food-service sales last year.

Orders are prepared in the kitchen more quickly because chefs and cooks don't have to spend time deciphering handwritten orders; the orders are transmitted to kitchen help on video display terminals or by printers. The absence of scrawl on guest checks also keeps customers and bookkeepers happy.

M. Victor Janulaitis, a management consultant who heads Positive Support Review in Malibu, Calif., said data-base management systems are being utilized by a growing number of organizations trying to gain productivity improvements.

"Most of the major operations are taking advantage of economies of scale and are developing POS systems to provide competitive advantage to them over small operators," Janulaitis said. "As restaurant operations become larger, the amount spent for management information increases dramatically in both absolute dollar amounts as well as percentages of sales."

Full-service restaurants are plugging in

(Continued from page 65)

issue inventory purchase reports, ingredient price lists, received items markup report, ingredient usage comparisons, menu cost history and actual ingredient usage reports.

The computer at American Hospitality Management Co., operators of some well-known full-service restaurants in New York, is programmed to report on daily sales, condition of premises, weekly sales, weekly profit and loss, weekly operations analysis, monthly operations, monthly summaries and variances and forecasts.

Staff training is relatively easy, according to many operators. "It's preset," one manager noted. "What has to be learned is how to activate the system and record orders. There are no prices to remember."

Falchi reported that his staff at the Waterfront took well to the computer. It took about six months for employees to fully accept it; of the 80 employees, only six or seven quit.

Operators can keep tabs on how a price increase for a particular raw material will effect the food cost of the menu items using that particular ingredient. They simply punch in the new price; the computer scans the recipe file, locates the items which use the ingredient in question and refigures the food cost.

The computers also keep track of how individual menu items are selling. Arthur Gross, owner of the Clam Box in Cos Cob, Conn., said he removed deviled crabs from his menu after seeing its poor performance listed on computer print-outs.

WATCH OUT, McDONALD'S!

C-stores muscling in on fast-food

By Rurick Telberg

With one foot in gasoline retailing and the other in groceries, the convenience store industry is taking an ever bigger bite of the fast-food restaurant market.

The nation's 38,000 convenience stores are being lured by the fatter profit margins and traffic-building pull of food service at a time when their own gasoline and merchandise sales and margins are softening.

C-stores, in the industry jargon, are locking onto the lower end of the fast-food market that maturing fast-feeders have abandoned for broader menus and higher checks.

Almost every major c-store chain has opted to participate in this large-scale assault on fast-feeder turf. Most active are Southland Corp.'s 7-11 chain, Circle K Corp., Majik Market, Lawson Milk, Convenient Food Marts and National Convenience Stores' Stop N Go group.

"Fast food is a consistently growing percentage of our total sales," said Harry Hunter, executive director of the National Association of Convenience Stores, a trade group. "And I see no reason why that growth should not continue."

Fast-feeders are already fighting back, however. Breakfast programs were spurred, at least in part, by convenience stores' rollout of morning coffee and doughnuts. Fast-feeders are devoting resources to speed convenience with drive-through windows. They are competing on price with massive couponing campaigns and price-freezes.

But c-stores are stepping up efforts to confront restaurants directly.

The 7-Eleven chain, which enjoys a market position in the c-store industry similar to McDonald's in the fast-food industry, has boosted its ad budget and taken direct aim at the breakfast customers of fast-feeders.

C-stores also have an advantage when it comes to site location. They are half as expensive to build, even with the average $10,000 worth of fast-food equipment. And they are small, usually 2,500 sq. ft., allowing them to squeeze into spots between fast-feeders to siphon traffic flow. In addition, an average c-store needs a market base of 2,000 customers, compared to several times that for a fast-feeder, leading one research firm to project their numbers will double by 1990.

Ninety-five per cent of the c-store chains now have some kind of take out food-service program and experiments with in-store seating are commonplace.

Cold sandwiches are in 95% of the c-store chains. Hot sandwiches are offered in about 90% of the stores, hotdogs or doughnuts in about two-thirds, salads or pizza in about half, fried chicken or frozen entrees in about one-third and hamburgers are in one-quarter of the stores.

Last year, according to *C-Store Business*, a trade journal, the number of firms reporting they had fried chicken or frozen entrees rose 30% from 1980 with 60% more chains adding deep-fat fryers and 50% more chains adding fountain drink machines.

Fast-food sales in convenience stores now amount to a new, and largely hidden, factor in eating-away-from-home trends, according to some analysts.

According to government and industry sources, the c-store industry last year had sales of $22.3 billion, $8.2 billion of which was gasoline sales. Ten years before, in 1971, when there were 15,000 c-stores, they had $3 billion in sales and the fast-food category was imperceptible.

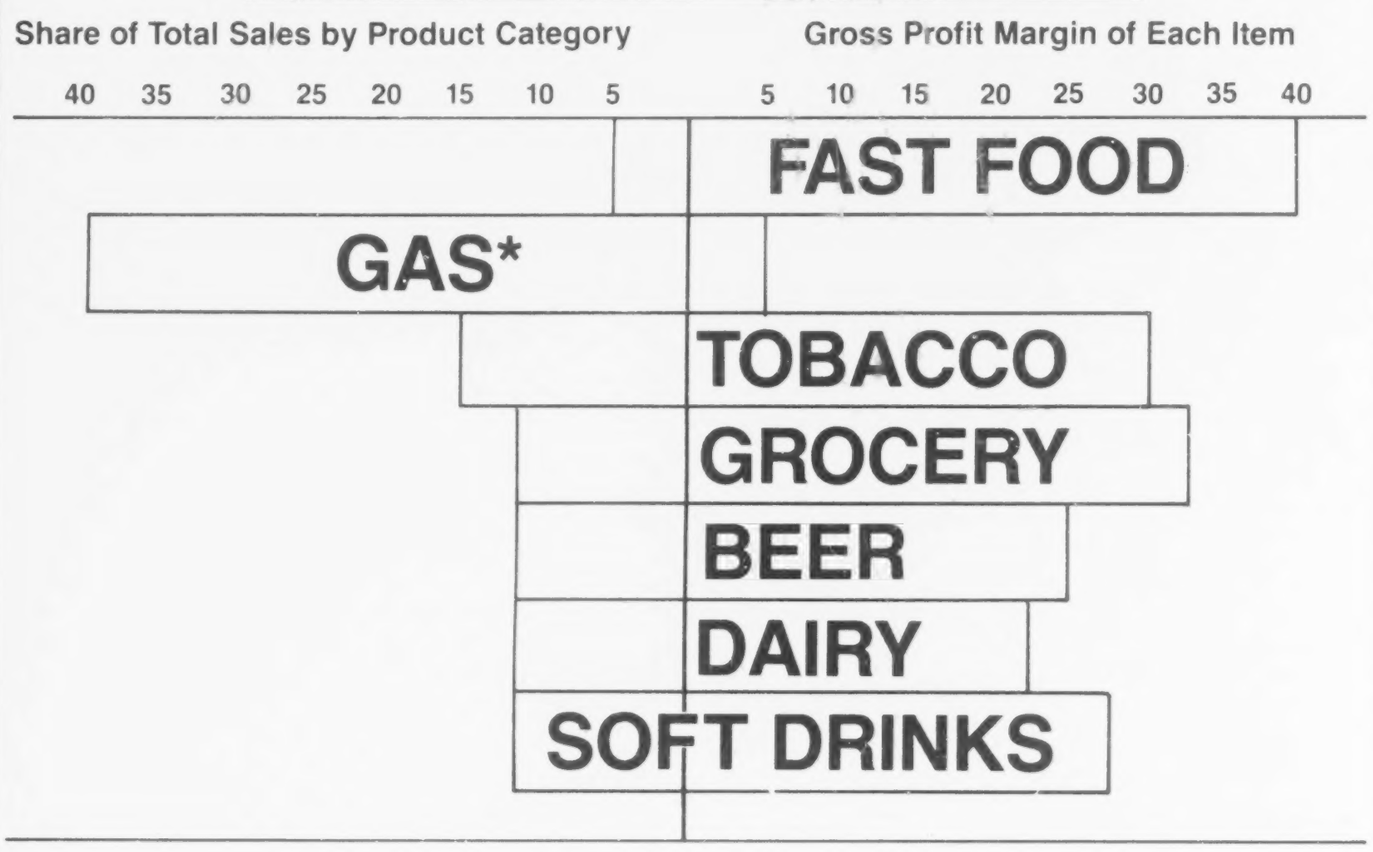
C-stores adopted gasoline during the 1974 oil embargo. Before 1974, the category was practically ignored in industry studies. Now half of the 38,000 c-stores offer cut-rate gas.

Convenience store industry insiders classify about 5%, or about $750 million last year, of their in-store sales, which excludes gas, as fast-food sales.

But when portions of soft drink, alcoholic beverage, ice cream, snack, candy and bread

(Continued on page 91)

CONVENIENCE STORE BUSINESS PROFILE



Source: *NRN Research*

*Gas is shown as percentage of total sales. All others are shown as percentage of in-store sales.

While fast food accounts for 5% of sales at convenience stores, it has a 40% profit margin; more than any other product line.

Major convenience store chains confront food-service problems

NRN Special Report

Convenience store chains are encountering problems in the fast-food market that as retailers they never had to face before.

C-store managers are accustomed to labor costs of about 12% of sales, but restaurateurs handle twice that. C-stores are groping for ways to run food counters without adding a third employee to the daily payroll.

C-store chains have been stingier with their advertising budgets than the marketing-mavens of the fast-food industry. As c-stores work to attract the typical fast-food customer, their ad budgets are rising from 0.5% of sales to the fast-food industry's norm of about 3%.

Quality, though, may be c-stores' biggest challenge. The c-store industry is based on a distribution and warehousing system that minimizes in-store inventory in order to maximize in-store selling area. But the taste and texture of food suffers by the time lag between making a sandwich at a central commissary, freezing it, shipping it, defrosting it and heating it in a microwave oven.

C-stores are confronting their problems cautiously and systematically. Here are the highlights of their strategies:

7-Eleven boosts advertising budget

Southland Corp.'s 7-Eleven chain boosted its ad budget this year by 40% to $135 million, which amounts to about 3% of sales for the company. The campaign takes dead aim at the breakfast market, in hopes of stealing customers from fast feeders, and at the dinner market, where 7-Eleven battles supermarkets.

The chain offers a biscuit breakfast, but the centerpiece of 7-Eleven's fast-food program is the flash-frozen burrito which is microwave-heated at the store. The burrito was rolled out nationwide in 1978, after seven years of tests which left fried chicken, french fries and some other items by the wayside.

7-Eleven's fast-food sales, defined broadly to include snacks as well as full-meal occasions, could top $1 billion this year, ranking it in the top 10 of the nation's fast feeders.

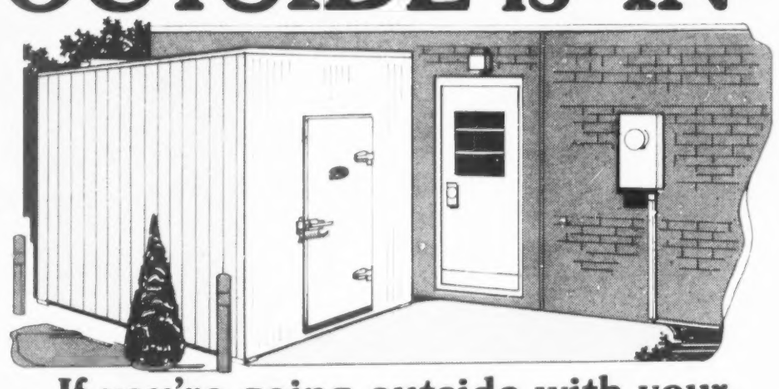
Circle K Corp. offers sandwiches, burritos

Circle K Corp., which was founded by ex-restaurateur Fred Hervey in 1951, offers a line of 28 sandwiches as well as burritos and corn dogs. Each of three commissaries churn out 18,000 sandwiches a day.

Hervey, now chairman, stepped into the convenience store business after buying a grocery store to assure a reli-

(Continued on page 92)

OUTSIDE is "IN"



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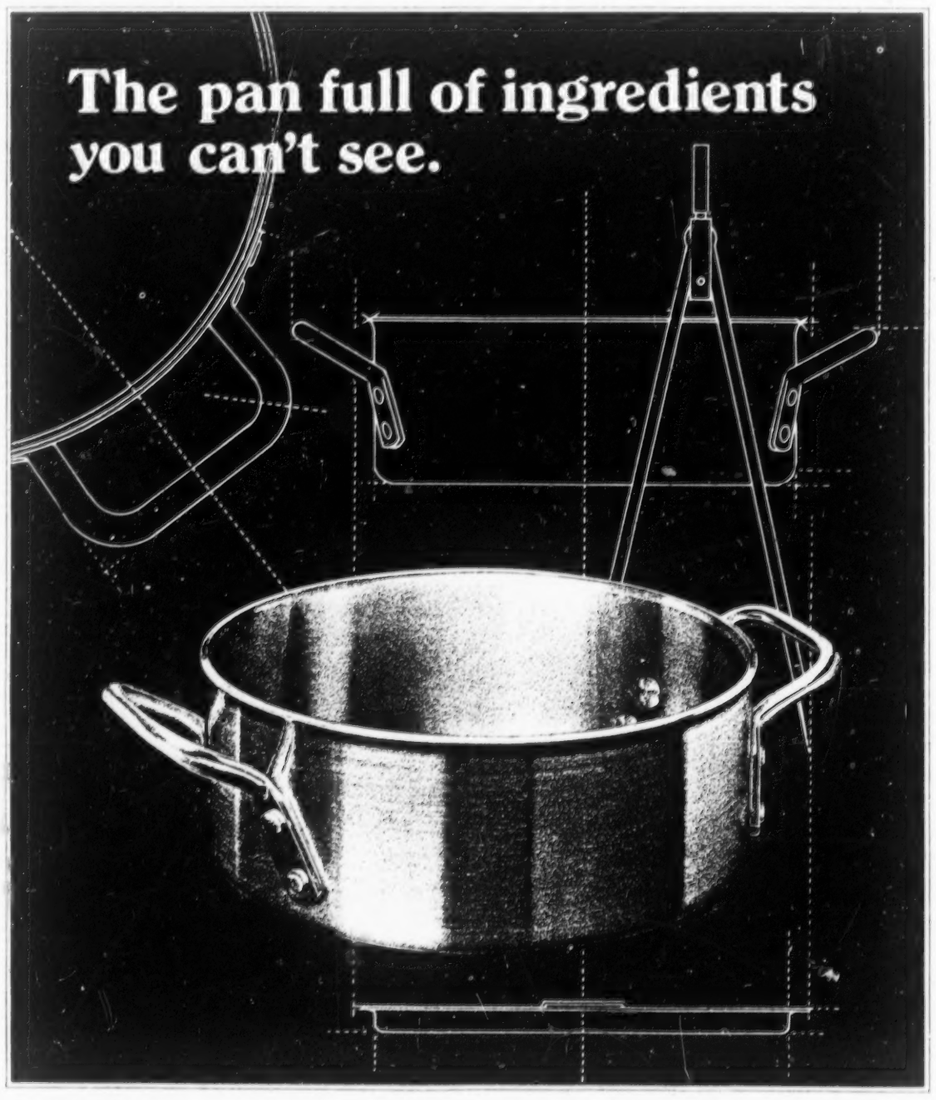

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WATCH OUT, McDONALD'S!

C-stores putting the squeeze on fast-feeders

(Continued from page 89)

and pastry sales are added, fast-food sales, now defined broadly as food to be eaten immediately, rockets to about 15% of total sales, or $2.25 billion last year.

C-store executives disagree among themselves on the definition of fast food.

The 7,000-unit 7-Eleven chain, for example, classifies only about 6%, or $222 million in 1980, as fast food, which includes hot beverages, fountain drinks, sandwiches and microwave foods.

But the second-largest chain, 1,200-unit Circle K, classifies 25% of its sales, or $161 million in 1981, as fast food.

"If you took the food service out of our c-stores," said one executive of a major chain speaking of the industry in general, "we'd all close."

In this context, c-store fast-food sales account for about 7% of the $32 billion fast-food restaurant industry. C-store fast-food sales rival commercial cafeterias as a force in the restaurant industry. By some estimates, it may be bigger than every fast-food chain's sales except McDonald's.

In addition, fast-food sales in c-stores are growing faster than fast-food sales in restaurants, which is the fastest-growing part of the restaurant industry. "And grabbing more sales in a growing market is easier than trying to expand in a stagnant one," Eugene Gerke, an economist, told c-store executives during a fast-food seminar in January.

Convenience Store News, another trade journal, reported that fast-food sales in convenience stores rose 23% from 1979 to 1980. Analysts expect a similar jump for 1981 as soon as results are tabulated.

By comparison, the National Restaurant Association estimates fast-food sales rose at half that rate, 12%, last year.

The 7-Eleven chain, has boosted its ad budget and is taking aim at breakfast customers of fast-feeders.

The c-store industry's headlong rush to fast foods comes at a time when their sales, profit and new-unit expansion growth rates have faltered. But a slowed growth rate for the c-store industry is still tremendous compared to the restaurant industry.

Sales grew 18% to $22.3 billion last year, compared to a 34% gain to $19 billion from 1979 to 1980.

But the growth of new stores has remained relatively flat for three years, increasing about 5%. So c-store chains are concentrating on ways, much as in the restaurant industry, to boost sales and margins at existing stores.

They see fast food as the best thing since the 1974 oil embargo. Gross profit margins on fast food can range from 40% to 60% of sales, while c-store managers are accustomed to about 30% on their other merchandise lines.

For a one-shot capital investment of no more than $10,000, c-stores can generate added sales from fast food and increased traffic of $20,000 per year, which easily covers the increased labor cost.

Competitive Edge

Fast food boosts the average check at c-stores from under $2 to about $2.50 when fast food is part of the purchase. The average fast-food check in c-stores is under $2, giving c-stores a clear price advantage over fast feeders.

In addition, c-stores and fast-feeders are battling for the same customers. And since the average consumer visits a c-store at least twice as often as a fast-feeder, c-stores have chances to change consumer's habits more often than fast-feeders.

"Watch out McDonald's!" declared the authors of a 1980 Gallup poll commissioned by the c-store trade association. "Our survey shows that 20% of all adult customers purchase fast food at their convenience stores."

CONVENIENCE STORE CHAINS RANKED BY NUMBER OF STORES

Chain	Headquarters	Stores
7-Eleven (Southland Corp.)	Dallas	6,900
Circle K Corp.	Phoenix	1,200
Majik Market (Munford Inc.)	Atlanta	1,100
Convenient Food Mart	Louisville	1,100
Cumberland Farms	Canton, Mass.	1,100
Utotem (American Financial Corp.)	Houston	950
Stop N Go (National Convenience Stores)	Houston	950
Lawson Milk (Consolidated Foods Corp.)	Cuyahoga Falls, Ohio	730

Source: *Company reports, NRN Research*

Eight chains dominate convenience store market

The eight largest convenience store chains account for almost two-fifths of the nationwide c-store market, but their slice of the pie is narrowing as new chains enter the fray.

Self-serve Gas

Multinational oil companies, in particular, have sunk huge resources into c-stores. Stung in the 1970's by the closing of 160,000 of the 220,000 service stations open in 1971, oil companies are finding reliable retail outlets in self-serve gas in the parking lots of c-stores.

The Sun Oil Co., which owns Fast Fare, Stop-n-Go, and Zippy Mart, has 1,200 stores. The Atlantic Richfield Co. jumped into the market in 1980, and after a year, had opened 500 AM-PM Mini Markets across the country.

7-Eleven, however, still dominates the c-store industry. Laventhol & Horwath estimates that the Southland Corp. commands almost 20% of the nationwide market.

Smaller convenience chains leap onto the fast-food bandwagon

A host of smaller c-store chains are jumping on the fast-food bandwagon:

• The 420-unit Shop & Go chain, based in Mango, Fla., built two-thirds of its stores in 1979-80. Now it is adding fast-food counters at the rate of 10 stores per week. They are now halfway done with the job, according to Jim Harris, fast-food supervisor. "We're definitely competing for the eating-away-from-home dollar," he said.

Fresh Pizza

• Henderson, N.C.-based Fast Fare, a 340-unit chain owned by Sun Oil Co., plans to open a store selling fresh pizza. This comes a year after a Raleigh unit scored a 30% sales gain with a biscuit breakfast. In 1980, Fast Fare scored similar success with fried chicken. Admitting they are copying the fast-feeders, Bill Turley, Fast Fare marketing vice president, said, "Locating next to a fast-food restaurant is a plus for us. They generate traffic."

• Time-Saver, a 122-unit New Orleans chain owned by the Dillon Cos., a supermarket chain, plans to begin early this year converting 25 to 50 stores per year for Po Boy sandwiches, a regional favorite. A lesson on quality was not lost on executives who found that after lengthening the sandwich from 8 in. to 10 in., and increasing the price from $1.90 to $1.99, sales jumped 50%.

• Executives at Git-n-Go, a 70-unit Tulsa chain, also learned a lesson on quality. The chain is experimenting with burgers, chicken and seating. But fresh delis are its main emphasis. Said Don Miller, merchandising director: "When we put the first fresh deli operation in, we tripled our sandwich sales."

More and more gas station operators are trying to cash in on the fast-food market by taking advantage of their strategically located properties. *Page 116*

THE GROWTH OF CONVENIENCE STORES

Year	Total C-store Sales (millions)	Gasoline Sales (millions)	Total Number of C-stores in U.S.	C-stores with Gasoline
1971	$ 2,910	—	15,075	—
1972	3,550	—	17,600	—
1973	4,350	—	20,300	—
1974	5,320	$ 360	22,700	3,520
1975	6,200	720	25,000	5,275
1976	7,420	1,120	27,400	7,400
1977	8,850	1,470	30,000	8,800
1978	10,600	1,890	32,500	11,500
1979	14,100	3,600	34,125	14,180
1980	18,900	6,500	35,800	16,750
1981	22,300	8,180	37,800	17,500

Source: *NRN Research*

Chains clamping down on price increases

(Continued from page 1)
by contrast, the same chains' prices averaged 8.2% above year earlier figures. In 1980 the prices were 9.8% above 1979. And in 1979 they were 7.9% higher than in 1978.

Chain executives, for the most part, say they are not actually developing any new formulas to calculate menu prices.

Kenneth Hill, president of W. R. Grace's Gilbert-Robinson, operators of Houlihan's and other casual concepts and dinnerhouses, addressed this question in typical fashion.

Menu prices are "still, as a rule, based on food cost," Hill said.

He noted, "We tend to juggle menu items, to drop an item if its cost gets out of hand and it no longer has a good value for the customer."

But the basics remain the same, Hill said.

Others indicated they used similar formulas with labor and energy costs most often factored in, along with commodities prices.

The executives queried say they see themselves in the current situation as taking advantage of stable food and labor costs to impress the value of their offerings on a recession-ridden customer base. If costs go up and economic conditions improve, they say they won't hesitate to hike prices.

"We have a little bit of flexibility, so we can hold the line," said one hamburger chain president.

"A lot of livestock breeding costs haven't gone up," said Pizza Inn president Frank Spillman. "Providing costs don't go up, we don't plan to raise our prices. They're about 4.5% ahead of where they were a year ago. But if things do go up, we plan to pass them along."

Food-service executives see pricing as historically cost-driven. A typical view would be that of Clyde Culp, president of Davco, Crofton, Md., and affiliate of Krystal and operator of about 55 Wendy's in Maryland and St. Louis.

"When hamburger goes up 20¢ a pound you don't have much choice as to what you're going to do with prices," Culp said.

To many outside the industry and at least a few in it, however, it appears that the days of cost driven pricing were based on a market in which continued profit depended on continued expansion.

Now, it appears that some segments may have saturated their markets—at least in the United States and that the money supply in this country will be inadequate to fuel anything like previous levels of expansion for years to come.

Current modest expansion plans on the part of many, unit-downsizing, and menu-item proliferation all support such a view.

They also support the theory that the current "price freeze" is as much a result of the market pressure as anything else.

One industry observer—a pricing consultant, pooh poohed this thought. "It's a game called chicken," he said. "They're waiting for somebody to assume a position of price leadership."

But several chain executives seemed to see a deeper problem.

"Yes, we're afraid," said Culp. "But it's because we don't want to threaten the share of business we have now."

A recent CREST (Chain Restaurant Eating-out Share Trends) survey on price sensitivity, saw things the same way:

"Restaurants taking above average price increases are likely to lose traffic by seeing their customers shift their visits to less steep price takers during both periods of overall industry weakness and recovery.

". . . it is likely that overall growth for these outlets will lag competitors' due to the losses being incurred through 'brand' shifting."

Vincent Lambiase, vice president and general manager of Denny's Winchell's Donut Houses, noted, "The bigger and stronger chains are cautious and efficient. They create a price umbrella for everyone else."

"Of course we want adequate return on investment but, at the same time, we don't want to invite competition by creating unrealistically high margins."

It would appear that many have changed their pricing formulas in a de facto sense by throwing in a bigger dollop of "competition" than they ever allowed themselves before.

Bud Gates, Pizza Hut marketing vice president, noted, "There seems to be a general concern with the economy that's resulting in a conservative attitude toward pricing on the part of many restaurateurs."

But Pizza Hut itself, which for various reasons has been very successful in the last two years in gaining market share, has taken advantage of this fact to raise prices at a faster rate than competitors.

Pizza Hut prices, according to Restaurant Industry Trends, were 7% above year earlier levels in January, 7% higher again in February and 6% higher in March.

Pricing on the part of Pizza Hut seems market rather than cost driven. The same set of facts also suggest that perhaps price behaviour on the part of competitors—who are losing market share—is also market driven rather than cost driven.

Perhaps the most obvious example of a chain working on a shift from cost driven to market driven pricing is McDonald's in its experiments with the McRib sandwich.

Since the price of the McRib—$1.25 in most test stores—is about a quarter lower than the list for a Big Mac, it's hard to doubt that the hamburger chain is hoping that its customers, feeling the hand of tough times in their pockets, will behave logically and buy the McRib in great numbers, especially at dinnertime.

It's transparently market-driven pricing.

So far the industry's hold on pricing is most visible in the fast-food segment. Restaurant Industry Trends tracking of all eating and drinking places shows year-to-year prices for the first quarter up more than 6%.

Historically, prices at limited menu and limited service restaurants are much less elastic than they are at full-menu, full-service operations.

Still, the rate of menu price increase at all restaurants has been falling steadily for about 13 months, according to Restaurant Industry Trends trackings.

Worth keeping track of through all this are food-store prices.

Many in the restaurant industry feel strongly that the key to restaurant profitability lies in the rise and/or fall of food-store prices.

In their view the competition to any restaurant—on a macro scale—is not another restaurant, but at-home eating.

In recent months the rate of increase in food-store prices has, in fact, been lower than the rate of increase in restaurant prices.

Restaurant Industry Trends reports these prices at levels about 3.6% over last year for the first quarter.

This is an advantage food stores enjoyed over restaurants through most of 1981. The difference in between the two rates of increase fact, appears to be moderating, a good sign for restaurants.

Despite all the attention paid to restaurant price strategy as perhaps the business's most critical marketing factor, the CREST study mentioned earlier also noted that "Neither is a tight hold on prices the easy answer to customer traffic growth. Finding a means to hold prices is likely to help during periods of high-food inflation but at other times . . . factors other than price seem to support the means to capture visits."

What are the other factors?

Some examples CREST gave were perceived value, desire for service, higher interest food offerings, entertainment, menu variety and relief from stress.

Recent Menu Price Increases

(% change over previous year)

	Dec.	Jan.	Feb.	March
Selected fast-food chains & coffee shops	5.8	4.9	4.2	4.6
All eating & drinking places	6.7	6.5	5.9	5.9 est.
Food stores	2.6	3.5	3.7	3.7 est.

Source: *Restaurant Industry Trends, Colonia, N.J.*

Druther's avoids bankruptcy

(Continued from page 1)
Nevertheless, during the crisis, the company instituted a long-overdue name change, dropping Burger Queen and adopting Druther's.

After much soul-searching they dropped the company mascot, Queenie Bee, as well. "It was a hell of a lot harder to let go of Queenie Bee than the name Burger Queen," Hensley said.

Druther's has now rolled out Andy Dandytale, a Tom Sawyer-like character who spins tales of American history. The children's market is the target.

In addition, the company plans this summer to trim its six item burger line, which accounts for less than one-quarter of sales, and introduce a revamped product, maybe with a more textured, earth-grain roll.

Hensley said the company's problems began in 1976, when the chain began to build about 30 units per year.

The company was rolling in profits because each new store opening added $20,000 to $30,000 in quick, one-time franchise fees, equipment sales and early sales surges.

But, in order to set up the franchisees, the company co-signed the franchisees' liabilities and paid their bills from their receipts, relieving the franchisees of the day-to-day headaches, but also the risks.

Druther's has rolled out Andy Dandytale, a Tom Sawyer-like character, as the new company mascot.

Because of the joint-ventures, the company's net new debt soared from $970,000 in 1977 to $2.3 million in 1978.

Even though systemwide sales and revenues gained with the expansion, half of the sites chosen in the boom years turned out to be duds, Hensley said, leaving the company vulnerable to the 72-day coal miners strike in early 1981.

Sixty of the chain's 173 stores last year were in coal country, and they were all the highest-volume stores. When Hensley turned the screws on franchisees, they staged a short-lived revolt, unaware of the company's deeper problems.

But as the company paid bills later or not at all, these problems became evident. Suppliers cut off credit and cashed checks sooner, robbing Druther's of $1.2 million in cash flow from the float on checks in September and October last year. The firm fell about $2 million behind in paying its bills, the bank cut the credit line, and landlords went unpaid.

At that point, Druther's brought in outside consultants who recommended Chapter XI, but the bank came through with a restructured debt plan.

Since the bank's debt was unsecured, it would have been the last in line to get repaid if Druther's filed for protection from creditors under Chapter XI

The bank's demand that the founders of the 20-year-old chain, chairman George Clark and Harold Kite, relinquish controlling ownership of the company has been put on hold while the situation continues to be sorted out.

If the company had gone Chapter XI, the founders, who share 82% of the stock, and Hensley, who owns 10%, would have lost both day-to-day control and, very likely, their investments.

Robert Neville named NRA staff chief

(Continued from page 1)
bility and positive leadership which it desperately needs now," was the consensus.

Actually, sentiment had been building in favor of Neville as the ideal choice, and the executive committee was called back into emergency session for an unexpected second morning after the original one-day meeting on various matters, including this, was completed.

"It was just a matter of the key NRA leaders finally making up their minds to stand up for what they had really felt for a number of months," one committee source said, "and then each seeing that everyone else actually agreed."

The search committee, which had been named earlier, was promptly abolished, and Neville, 64, was assured he would serve as staff chief at least three years and possibly longer —"certainly long enough to make a major impact and get everything rolling," a source said.

Neville said he was pleasantly surprised by the appointment. "If that's what the executive committee and board want, it's fine with me," he declared. "I'm flattered that they're at least taking away my learner's permit," he said smilingly.

Neville was credited with wielding a firm and fair hand in this, his second stint as acting staff chief. But this time he had full power to take decisive actions.

While naming Neville executive vice president and staff chief, the executive committee also voted unanimously to make the one-year elected chairman (to be John Dankos this time) president as well and in effect chief executive officer.

Earlier the executive committee approved a recommendation by the nominating committee that Harris Machus, owner of Machus Enterprises, Birmingham, Mich., be named treasurer. Machus, who has headed the nominating committee for the past two years and has been an active NRA board member for many years, was unanimously recommended by the nominating committee.

The nominating and executive committees also recommended Dankos, who had been treasurer, for chairman and president, and Joe Lee for vice president, subject to NRA membership approval May 24.

Jack Laughery, NRA vice president who was to have moved up to president, confirmed his previous statement that he would be unable to serve because of the intense demands on his time caused by acquisition of Burger Chef.

In a statement after the executive committee meeting, NRA outgoing chairman Walter Conti praised Neville as "a man who knows the Washington scene and has a deep knowledge of our industry gained through broad contact with members of all segments of food service."

Conti emphasized that, "when the board asked him to assume staff leadership in January, he quickly took hold of the organization and maintained its momentum. His performance has clearly demonstrated his competence. His experience and judgment guarantee the continuity and stability of the NRA."

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Industry grapples with recession

Independents plagued by flat counts, sagging sales

By Joe Edwards

Independent restaurant operators in many parts of the country are struggling with sagging customer counts and sales as the persistent downcycle wrought by a weakened and stagnant national economy continues to take its toll.

Most independents are more vulnerable to the recession than large food-service corporations because they do not have the economies of scale enjoyed by large national and regional chains. On the plus side, they often enjoy advantages over chain restaurants in their local markets.

"Sales are up slightly and customer counts are holding steady" is the most frequently heard comment by independents, but some statistics suggest that is not always the case.

Nominal store sales for all eating and drinking places including independent restaurants increased 6.2% in December, 2.9% in January and 5% in February, according to the U.S. Commerce Department's Bureau of Labor Statistics. After adjustments for inflation, however, sales were actually off 0.5% in December, 3.4% in January and 1.4% in February.

Restaurants, always considered high-risk ventures with a high failure rate, have been closing with growing frequency. Exact figures are hard to come by since many bankrupt operators simply shut their doors without filing for Chapter XI reorganization. The number of operators who filed for Chapter

(Continued on page 213)

Chains appear to be gaining following rock-bottom winter

By Charles Bernstein

Food-service chains in the past few months generally have reversed downward customer count trends to a point where they are at least flat or up slightly.

The general perception is, as one knowledgeable analyst put it, that "the industry hit rock bottom in February, but the worst is over."

Nevertheless, uncertainty abounds about the second half. With the April unemployment rate having jumped to a 40-year record 9.4% (almost 20% among blue collar workers), operators aren't out of the woods yet. Interest rates that could rise from 16% back toward 20% and an uncertain outlook on President Reagan's 1983 budget-tax package further cloud the issue.

One thing clear is that chains must try to hold the line on prices—a strategy that has seen menu price hikes of no more than 5% in the past year and some price freezes. Price-cutting promotions and couponing still loom importantly if not overdone to blur the value image. New product introductions are being accelerated too.

Generating more customer traffic is the key challenge. Chains seem able to control costs, but their sales are subject to the whim of the economy. Economic conditions remain surprisingly weak in key areas of the Northeast and Midwest, where unemployment is acute in the automobile, construction and steel industries.

Unemployment was cited as the No. 1

(Continued on page 213)

Struggling airlines trimming excess fat from food programs

By Roman Czajkowsky

HOLLYWOOD, Fla.—Buffeted by staggering losses, increasing competition and a general restructuring of the nation's route system, major United States carriers are rethinking their traditional approaches to inflight meal service.

Where once air travelers routinely were offered complete meals on even short-haul flights, the service today might be a boxed lunch, a snack, or cocktails and soft drinks only.

Today, the choice cuts of steak are in some cases being replaced by less costly fare such as chicken or pasta. Individual portions are being reduced in size. And while the general watchword is still quality, productivity is now getting its fair share of attention.

These developments were the general theme expressed by a number of executives from airlines and caterers who assembled here early this month for the annual Inflight Food Service Association (IFSA) conference.

"There's a cost squeeze on [airlines'] budgets, so they're emphasizing productivity and menu mix strategies and even reconsidering whether they can do without meals on certain flights," said IFSA president Robert Arnold in an interview.

Many of the airline industry's current fiscal woes are the result of escalating fuel costs, reduced passenger travel and a cut-rate fare war borne out of the industry's deregulation in

(Continued on page 213)

Hardee's Sunsphere Restaurant (above) sits high atop the fairgrounds.

NRN goes to the World's Fair opening
Full coverage—p. 15

LATE NEWSBREAKS

Food-service chains continued their recovery in April with a cross-section of 17 leading chains showing an estimated 2.6% average traffic rise over April 1981, Restaurant Trends Inc. of Colonia, N.J., disclosed at presstime. Traffic had been up 0.2% in March after several months of downturns. Menu price rises for these chains rose only 4.3% in April compared with the previous April. The results indicate momentum is turning upward. (Earlier chain story, this page.)

Godfather's Pizza, the 500-unit, Omaha-based chain, is going public with an initial stock offering of 1.35 million shares of common priced at $9.75 each.

Owners of New York's "21" Club said they were negotiating with Charles Atkins, an heir to the founder of Ashland Oil, who has bid to buy into the restaurant company.

To begin in July

Wendy's unveils new ad strategy

MIAMI BEACH—After only slightly more than a year of running time, Wendy's is scrapping its controversial "Ain't no reason" advertising campaign.

Starting this July, the country's No. 3 hamburger chain will air a new drive that's themed "Wendy's kind of people," Wendy's officials disclosed at the company's annual convention here.

The new campaign will focus on Wendy's customers, but will also highlight food preparation, variety and quality.

The new drive is designed to have greater "human appeal, more warmth in its message" than the "Wendy's. Ain't no reason to go anyplace else" campaign, Denny Lynch, Wendy's spokesman, said.

When it was first introduced, the "Ain't no reason" theme generated considerable controversy because of its ungrammatical sentence structure. Moreover, some industry analysts considered the overall campaign too generic and unfocused.

Meanwhile, Wendy's issued its first quarter report. For the three months ended March 31, net profit rose 16% to $8 million over last year's comparable period. Revenues were up 41% to $138 million, while systemwide sales increased 17% to $365 mil-

(Continued on page 213)

Fine Dining Hall Of Fame Awards—Pages 129-148